

## CHAPTER FOURTEEN

### SUBRECIPIENT OVERSIGHT REQUIREMENTS MONITORING AND COMPLIANCE REVIEW

**General Instructions to Monitoring Staff:**

This review should be conducted “on-site” through review of grantee policies and procedures and the applicable Subrecipient Agreement, inspection of grantee files, interviews of key project staff, and as necessary visits to the subrecipient’s offices and project site(s). The issues and concerns identified in this on-site review of the grantee’s oversight of its subrecipient should be noted on the Subrecipient Oversight – Summary Page for Monitoring and Compliance Review found at the end of this chapter.

**A. GENERAL INFORMATION**

Date(s) of On-Site Review: \_\_\_\_\_

Grantee/Project Name: \_\_\_\_\_ Program Year: \_\_\_\_\_

Grant #: \_\_\_\_\_ Grant Term: \_\_\_\_\_

Subrecipient Name: \_\_\_\_\_

Subrecipient Address: \_\_\_\_\_

**Local Grantee and/or Subrecipient Staff Interviewed:**

Name:	Title:	Organization/Location:	Date of Interview:	Telephone #/e-mail:
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

**B. ISSUES FROM GENERAL PROJECT INFORMATION SUMMARY:** *Note: Please refer to Section D of the General Project Information Summary (Chapter One). Any Subrecipient Oversight issues that emerged from the completion of the in-house review reflected in Chapter One should be noted below and addressed through interviews with the local grantee or project staff and/or on-site file reviews. These issues can be addressed at the beginning of the monitoring visit, or at whatever point in the monitoring visit the Reviewer feels is appropriate.*

Issues for On-Site Follow-Up	Related Questions/Citations	Grantee Response and/or Resolution
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

## **Additional Instructions to Monitoring Staff:**

### **SUBRECIPIENT MONITORING**

Per 24 CFR 570.500(c), a subrecipient is an agency or organization (e.g., a neighborhood based non-profit organization, Section 301(d) small business investment company, and/or local development corporation) working for the grantee, and having administrative or other responsibilities relative to the grantee's CDBG project. Prior to disbursing CDBG funds to a subrecipient, the grantee must enter into a written agreement with the sub-recipient. The agreement must remain in effect as long as the subrecipient has control over the CDBG funds, including program income generated by such funds.

At a minimum, the Subrecipient Agreement must contain the following applicable provisions:

- Statement of Work – a description of the work to be performed, a work schedule, and a budget.
- Records and Reports – a listing of the records that the subrecipient must maintain and the type and frequency of reports to be submitted to the grantee.
- Program Income – the agreement must set forth program income requirements that are consistent with those generally applicable to the Maryland CDBG Program (see 24 CFR 570.504(c) and 24 CFR 570.489(e) and Chapter Four – Financial Management).
- Applicability of Uniform Administrative Requirements (UAR) – the agreement must require the subrecipient to comply with the applicable UAR rules as described in 24 CFR 570.502.
- Compliance with Other Federal Requirements – the agreement must require the subrecipient to comply with all appropriate Federal laws and requirements as described in Subpart K of 24 CFR 570, except that the subrecipient cannot assume the grantee's responsibilities for meeting Environmental Review requirements or for satisfying its responsibilities for initiating the review process described in 24 CFR 52.
- Conditions for Religious Organizations – where applicable, the conditions prescribed by HUD for the use of CDBG funds by religious organizations must be included in the agreement.
- Suspension and Termination – the agreement must specify that suspension or termination may occur in the event of default, inability or failure to perform on the part of the subrecipient, or when both parties mutually agree to terminate the agreement.
- Reversion of Assets – the agreement must state that, upon expiration of the agreement, the subrecipient must transfer to the grantee any CDBG funds on-hand and any accounts receivable attributable to the use of the CDBG funds. Furthermore, any real property acquired (or improved) in whole or in part with CDBG monies in excess of \$25,000 either must be used to meet one of the National Objectives for at least five years after expiration of the agreement, or will be disposed of in accordance with Maryland CDBG Program requirements.

Grantees should be encouraged to forward a draft of the Subrecipient Agreement to DHCD for review and approval before it is executed locally.

DHCD staff must also ensure that the grantee is adequately monitoring the subrecipient for adherence to the agreement, as well as for achievement of satisfactory project performance. Grantees should maintain inspection and monitoring reports, as well as all correspondence pertaining to their oversight of the subrecipient. When subrecipient activities, such as housing rehabilitation, require a determination of income or other type of eligibility criteria for project beneficiaries, the grantee must determine that the subrecipient is consistently following procedures to ensure that beneficiaries meet the specified project criteria.

## IN-HOUSE REVIEW

DHCD staff should review the grantee's application, Grant Agreement and progress reports to identify all project activities that involve the use of sub-recipients. The Reviewer should determine if the grantee submitted a draft of the Subrecipient Agreement to DHCD for review. The Reviewer should also ascertain whether a copy of the executed Subrecipient Agreement is on file with the Maryland CDBG Program, and if so, should review this document to make certain that the Agreement contains all appropriate provisions, and that the activities to be carried out are consistent with the approved grantee application and Grant Agreement. Using the progress reports, the Reviewer should also assess the progress being achieved on activities involving the subrecipient. Finally, the Reviewer should ensure that the grantee informs the subrecipient to be available on the date of the DHCD monitoring visit.

## ON-SITE REVIEW

The on-site review of subrecipient monitoring compliance will typically include the following activities:

- Review subrecipient activities with the grantee.
- Determine if project beneficiaries met the specified project criteria.
- Compare subrecipient payment dates to dates that the grantee inspected the subrecipient's project activities, to determine that these visits occurred before payment was made. (This is to ensure that the grantee was fully aware of actual progress on activities before payments were authorized).
- Look for evidence that the grantee actively monitored the subrecipient for overall compliance with the terms and conditions of the Subrecipient Agreement and, in the process, with all applicable Maryland CDBG Program requirements.
- Inspect subrecipient project sites.
- Where warranted, review the project progress with the subrecipient.

Any concerns or issues identified during the on-site review of the grantee's subrecipient oversight activities should be noted on the Subrecipient Oversight – Summary Page for Monitoring and Compliance Review found at the end of this chapter of the Handbook.

### C. SUBRECIPIENT OVERSIGHT REQUIREMENTS

<p style="text-align: center;"><b>SUBRECIPIENT MONITORING CHECKLIST</b></p>	<p style="text-align: center;"><b>Documentation Indicates General Program Practice Consistent with Applicable Rules &amp; Regulations</b></p>	<p style="text-align: center;"><b>Comments and Description of Documentation or Issues:</b></p>																																								
<b>SUBRECIPIENT AGREEMENTS</b>																																										
<p><i>Citations: 24 CFR 570.503 (last revised 3/11/88, 10/21/88, 6/17/92, 11/9/95) and Section 14 and Exhibit A of the Maryland CDBG Grant Agreement: Require grantees to execute a written agreement with a subrecipient before disbursing any CDBG funds to that subrecipient.</i></p> <p>1. Is there a written contract or agreement of understanding with each subrecipient?</p>	<p style="text-align: center;">Yes    No</p>																																									
<p>2. Does the Subrecipient Agreement contain provisions concerning the following:</p> <ul style="list-style-type: none"> <li>• A statement of work?</li> <li>• An operating budget?</li> <li>• The number of intended beneficiaries?</li> <li>• The method of (and process for) payment?</li> <li>• A measurable performance schedule?</li> <li>• How program income will be used?</li> <li>• A provision for termination for nonperformance?</li> <li>• Appropriate Federal statutory provisions (from 24 CFR 570 Subpart K) such as: <ul style="list-style-type: none"> <li>▪ Davis-Bacon?</li> <li>▪ Fair Housing and Equal Opportunity?</li> <li>▪ Lead Based Paint?</li> <li>▪ Copeland "Anti-Kickback" Act?</li> <li>▪ Contract Work Hours and Safety Standards Act?</li> <li>▪ Uniform Administrative Requirements?</li> <li>▪ Conflict of Interest?</li> <li>▪ Displacement and relocation?</li> <li>▪ Flood plain insurance (if applicable)</li> <li>▪ Use of debarred contractors</li> <li>▪ Others (list)?</li> </ul> </li> </ul>	<table border="0"> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> <tr><td>Yes</td><td>No</td></tr> </table>	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
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SUBRECIPIENT MONITORING CHECKLIST		Documentation Indicates General Program Practice Consistent with Applicable Rules & Regulations	Comments and Description of Documentation or Issues:
2. Does the Subrecipient Agreement contain provisions concerning the following?: (continued)			
<ul style="list-style-type: none"><li>• Conditions for religious organizations (as applicable)?</li><li>• Record-keeping and reporting requirements?</li><li>• Audit requirements?</li><li>• Property management and reversion of assets (including provisions for real property acquired or improved with \$25,000 or more of CDBG funds)?</li><li>• Monitoring and evaluation criteria that the grantee will use?</li></ul>	<div>YesNo</div> <div>YesNo</div> <div>YesNo</div> <div>YesNo</div> <div>YesNo</div>		
ON-GOING GRANTEE OVERSIGHT OF SUBRECIPIENT ACTIVITIES			
<i>Citation: 24 CFR 85.40(a) and 24 570.501 (last revised 3/11/88, 6/17/92): Grantees must monitor grant supported activities to assure compliance with applicable Federal requirements and achievement of performance goals. Use of subrecipients does not relieve grantees of this responsibility. Grantees are responsible for determining the adequacy of performance under subrecipient agreements, and for taking appropriate action in a timely manner when performance problems arise.</i>			
3. Is the subrecipient required to submit progress and other forms of reports to the grantee?	<div>YesNo</div>		If “Yes”, describe the nature and frequency of the reports:
Has the subrecipient been submitting the required reports in a timely fashion?	<div>YesNo</div>		



<p style="text-align: center;"><b>SUBRECIPIENT MONITORING CHECKLIST</b></p>	<p style="text-align: center;"><b>Documentation Indicates General Program Practice Consistent with Applicable Rules &amp; Regulations</b></p>	<p style="text-align: center;"><b>Comments and Description of Documentation or Issues:</b></p>
<p>7. Based on evidence available during the site visit, is the subrecipient performing on-schedule?</p>	<p style="text-align: center;">Yes    No</p>	<p>If "No", explain:</p>

## SUBRECIPIENT OVERSIGHT REQUIREMENTS

### SUMMARY PAGE FOR MONITORING AND COMPLIANCE REVIEW

**Instructions to Monitoring Staff:**

In the space below, please note any issues arising from the review. For any concerns or findings identified during the review, provide amplification as necessary and specify any corrective actions the grantee must take to resolve the issue(s). Also describe the nature of any technical assistance provided during the review. List any follow-up action for the DHCD staff and/or the grantee, and the dates by which such action must be taken.

**Issues/Concerns/Findings (and Relevant Citations):**

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**Necessary Action Steps and/or Resolution (and Deadlines):**

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Is there sufficient source documentation in the grantee's files (e.g., agreements, site reports, correspondence, invoices and cancelled checks, etc.) to support a conclusion that the grantee has actively monitored the subrecipient and required the subrecipient to comply with the applicable Maryland CDBG Program compliance and performance requirements?      Yes      No

Based on the evidence reviewed, has the grantee complied with subrecipient oversight requirements?      Yes      No

**Maryland DHCD Staff Conducting Review:** \_\_\_\_\_

Date Review Completed: \_\_\_\_\_